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# BAY MILLS

LIMITED

## ANNUAL REPORT

for the year ended July 31, 1970

## **INDUSTRIES USING OUR PRODUCTS:**

Aircraft  
Aluminum  
Boat  
Building Construction  
Carpet  
Cement  
Chemical  
Curtain  
Electrical  
Hardware  
Highway Construction  
Mining and Smelting  
Paper  
Pipeline Construction  
Production Tooling  
Reinforced Plastics  
Rubber  
Tent Manufacturing  
Toy  
Window Manufacturing



705-526-7861

## BAY MILLS LIMITED

### HEAD OFFICE

Midland, Ontario

### DIRECTORS

Eric H. Cerny, *Montreal*  
Steven F. Cerny, *Midland*  
Gustave W. Fewks, *Montreal*  
John D. Loveridge, *Ingersoll*  
Donald A. Jewitt, *Toronto*  
Derek H. Mather, *Montreal*  
Sydney J. Nicholls, *Midland*

### OFFICERS

<i>Chairman of the Board</i>	Eric H. Cerny
<i>President</i>	Steven F. Cerny
<i>Vice-President</i>	Gustave W. Fewks
<i>Secretary-Treasurer</i>	Sydney J. Nicholls

### EXECUTIVE

<i>General Manager</i>	<u>Steven F. Cerny, B.Sc.</u>
<i>General Sales Manager</i>	Sydney J. Nicholls, B.Eng.
<i>Controller</i>	Frank G. Spence, C.A.
<i>Plant Manager</i>	Felix Kurschner

### SUBSIDIARY COMPANY

Filterfab Limited

### AUDITORS

Hutchins, Mullin & Blair  
Chartered Accountants, Toronto

### LEGAL COUNSEL

Salter, Reilly, Jamieson & Apple  
Toronto

### TRANSFER AGENT

The Royal Trust Company  
Toronto

### BANKERS

The Toronto-Dominion Bank

### ANNUAL MEETING

King Edward Hotel, Toronto  
November 10, 1970

## REPORT TO THE SHAREHOLDERS

Net loss for the year ending July 31st, 1970, was \$65,365 compared with net earnings for the previous year of \$147,112. After allowing for dividends on Preferred shares, net loss for the last fiscal year amounted to 49.8c. per Common share as against earnings of 52.5c. for the preceding year. Earnings before depreciation, interest and taxes were \$246,268 compared with \$635,406.

Working capital at July 31st was \$806,792 compared with \$1,062,313 on the same date a year ago.

Sales decreased 3.9% from those of the previous year. We expect to resume our sales growth in the coming year. General economic conditions, a strike

at one of our major customers, a plant closing by another and in particular the depressed aircraft, boat, construction, and carpet industries adversely affected our sales by either decreasing them in a particular segment or slowing our growth rate in another. Profit margins were adversely affected by lower plant utilization and the need to adjust inventories, accelerated "Kennedy Round" tariff reductions, the increase in the international value of the Canadian dollar, the continued sharp increases in costs, particularly labour.

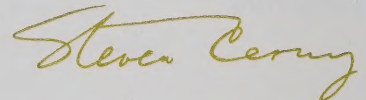
During the year the non-woven division was moved to our St. Catharines' plant, and capacity more than doubled. New products are under intensive de-

velopment and we have displaced imported materials completely in one market and partially in another. Productivity has been significantly improved and sales are developing satisfactorily.

The capacity of Filterfab Limited was increased and forecast sales were exceeded. A continuing expansion is forecast.

The coming year promises to continue to be difficult, but while taking precautions we are not falling back into a purely defensive posture. We are vigorously working on new developments, strengthening our technical staff and pursuing increases in productivity with zeal.

Respectfully submitted  
on Behalf of the Board,



S. F. CERNY  
President

Midland, Ontario  
October 20, 1970



# BAY MILLS LIMITED

and wholly owned subsidiary

## Statement of Earnings Year Ended July 31, 1970

<b>EARNINGS</b> (before undernoted items).....
Depreciation.....
Interest on funded debt.....
Taxes on income (recoverable).....
Non recurring items.....
<b>NET EARNINGS (LOSS)</b> .....

1970	1969
\$ 246,268	\$ 635,406
316,161	235,471
107,233	92,142
(111,761)	154,816
—	5,865
<u>(65,365)</u>	<u>147,112</u>

## Statement of Source and Application of Funds Year Ended July 31, 1970

### SOURCE OF FUNDS

Net earnings (loss).....
Provision for depreciation.....
Less profit on sale of building included above.....
Total from operations.....
Increase (decrease) in deferred tax credit.....
First mortgage bonds, series B.....
Notes payable.....
Issue of 1,000 common shares.....
Contributed surplus-area development grant.....
Less non current portion.....
Decrease (increase) on other assets.....
Sale of building.....

(65,365)	147,112
316,161	235,471
—	(36,389)
<u>250,796</u>	<u>346,194</u>
(121,000)	172,000
—	400,000
54,516	250,000
—	4,500
71,490	284,254
—	(56,851)
(5,696)	64,808
—	65,000
<u>250,106</u>	<u>1,529,905</u>

### APPLICATION OF FUNDS

Net addition to building, machinery and equipment.....
Decrease first mortgage bonds.....
Dividends on preferred shares.....
Redemption of preferred shares (par value \$10,000).....

412,867	1,121,778
55,000	35,000
37,760	131,100
—	7,750
<u>505,627</u>	<u>1,295,628</u>

### NET CURRENT ASSETS

<b>NET INCREASE (DECREASE) FOR YEAR</b> .....
Beginning of year.....
End of year.....

(255,521)	234,277
1,062,313	828,036
<u>806,792</u>	<u>1,062,313</u>

## ASSETS

## CURRENT ASSETS

	1970	1969
Cash.....	\$ 525	\$ 475
Accounts receivable, trade, less allowance for doubtful accounts.....	1,152,944	1,055,989
Inventories, at lower of cost and replacement value.....	1,220,005	1,190,221
Refundable taxes on income.....	—	35,400
Special refundable tax.....	—	10,934
Area development grant receivable, current portion (Note 3).....	59,779	56,851
Prepaid and deferred expenses.....	52,136	12,030
<b>Total current assets.....</b>	<b>2,485,389</b>	<b>2,361,900</b>

## FIXED ASSETS (at cost)

Buildings.....	1,457,093	1,457,093
Machinery and equipment.....	2,493,090	2,088,222
Furniture and fixtures.....	61,942	53,943
	4,012,125	3,599,258
Less accumulated depreciation.....	1,596,174	1,280,013
	2,415,951	2,319,245
Land.....	24,353	24,353
<b>Total fixed assets — net.....</b>	<b>2,440,304</b>	<b>2,343,598</b>

## OTHER ASSETS

Deposits.....	11,539	8,565
Cash surrender value of life insurance.....	2,722	—
Area development grant receivable.....	—	56,851
<b>Total other assets.....</b>	<b>14,261</b>	<b>65,416</b>

4,939,954

4,770,914

APPROVED ON BEHALF OF THE BOARD

*Steven Cerny*

S. F. Cerny, Director

*Stephen J. Nicholls*

S. J. Nicholls, Director

The accompanying notes form an integral part of the financial statements



# CONSOLIDATED BALANCE SHEET, JULY 31, 1970

## LIABILITIES

### CURRENT LIABILITIES

	1970	1969
Due to bank, secured.....	\$ 731,962	\$ 523,991
Accounts payable and accrued liabilities.....	854,964	740,596
Current portion of funded indebtedness.....	86,152	35,000
Taxes on income, estimated.....	5,519	—
<b>Total current liabilities.....</b>	<b>1,678,597</b>	<b>1,299,587</b>

### FUNDED INDEBTEDNESS

First mortgage bonds series A (Note 1).....	525,000	560,000
First mortgage bonds series B (Note 1).....	380,000	400,000
Note payable due December 31, 1971, 8¼% variable.....	150,000	150,000
Note payable due July 31, 1978, 7%.....	250,000	250,000
Note payable due \$7,788 quarterly, 9½%.....	54,516	—
	<b>1,359,516</b>	<b>1,360,000</b>

<b>DEFERRED TAX CREDIT (Note 2).....</b>	<b>309,000</b>	<b>430,000</b>
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## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (Note 4)

Authorized:		
149,000 preferred shares, par value \$10 each		
500,000 common shares, no par value		
Issued:		
Preferred — 59,000 6% cumulative redeemable, participating first preferred shares Series A.....	590,000	590,000
Common — 206,985 shares.....	229,900	229,900
	<b>819,900</b>	<b>819,900</b>

### SURPLUS

Earned surplus.....	462,617	566,222
Reserve for redemption of preferred shares.....	1,431	951
Capital surplus.....	10,000	10,000
Contributed surplus (Note 3).....	298,893	284,254
	<b>772,941</b>	<b>861,427</b>
<b>Shareholders' equity.....</b>	<b>1,592,841</b>	<b>1,681,327</b>
	<b>4,939,954</b>	<b>4,770,914</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1

First mortgage Sinking Fund Bonds "Series A" and "Series B" were created under a Trust Deed Agreement dated September 1, 1964 and a Supplemental Deed of Trust and Mortgage dated September 1, 1968. The Series A Bonds mature September 1, 1984 and are repayable in principal amounts of \$35,000 per annum. The Series B Bonds mature September 1, 1988 and are repayable in principal amounts of \$20,000 per annum commencing September 1, 1970. Bonds of both series are redeemable at the option of the company at any time at the prices and subject to the terms and conditions contained in the Trust Deed. Covenants for the Series A and Series B bonds restrict the payment of cash dividends in the future, if after giving effect thereto the consolidated net current assets would be reduced below \$750,000. The consolidated net current assets at July 31, 1970 exceeded this amount.

### NOTE 2

The deferred tax credit represents estimated tax deferred by claiming approximately \$543,400 of capital cost allowance in excess of that recorded in the accounts and approximately \$34,500 of deferred moving and renovation costs claimed for tax purposes.

### NOTE 3

The area development grant received and receivable is subject to fulfillment by the Company of certain conditions until December 1, 1971 which the Company expects to meet.

### NOTE 4

<i>Outstanding common share warrants and options</i>	<i>Number of Shares</i>
Warrants with "Series A" Bonds, \$6.00 per share to September 1, 1974.....	21,000
Warrants with "Series B" Bonds, \$5.00 per share to September 1, 1974, \$6.00 per share to 1979.....	12,000
Warrants with 7% note due July 31, 1978, \$4.50 per share to 1973, \$5.50 per share to 1978.....	50,000
	<u>83,000</u>

### NOTE 5

Directors' fees and remuneration to salaried directors amounted to \$117,104.

### NOTE 6

Gross operating revenue. Sales for the period August 1, 1969 to July 31, 1970 decreased by 3.95% from the corresponding previous period.

### NOTE 7

Sales and cost of goods sold for the year ended July 31, 1970, compared to the previous year, decreased by 3.95%, and increased by 3.74% respectively.

## AUDITORS' REPORT

To the Shareholders,  
Bay Mills Limited.

We have examined the consolidated balance sheet of BAY MILLS LIMITED and wholly owned subsidiary as at July 31, 1970, and the consolidated statements of earnings, surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the consolidated financial position of the companies as at July 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

September 24, 1970.

HUTCHINS, MULLIN & BLAIR  
Chartered Accountants



# BAY MILLS LIMITED

*and wholly owned subsidiary*

## Statement of Surplus Accounts Year Ended July 31, 1970

### EARNED SURPLUS

	1970
Balance August 1, 1969.....	\$566,222
Deduct:	
Consolidated net loss for the year.....	65,365
Dividends paid on preferred shares.....	37,760
Appropriation to reserve for redemption of preferred shares.....	480
	<u>103,605</u>
Balance July 31, 1970.....	<u>462,617</u>

### RESERVE FOR REDEMPTION OF PREFERRED SHARES

Balance August 1, 1969.....	951
Add:	
Amount appropriated from earned surplus.....	480
Balance July 31, 1970.....	<u>1,431</u>

### CAPITAL SURPLUS

Balance August 1, 1969.....	10,000
No change during the year.....	—
Balance July 31, 1970.....	<u>10,000</u>

### CONTRIBUTED SURPLUS

Balance August 1, 1969.....	284,254
Add:	
Balance of area development grant receivable on behalf of capital expansion program.....	14,639
Balance July 31, 1970.....	<u>298,893</u>

## OPERATING RESULTS

	1970	1969	1968
<i>Earnings</i>	\$ 246,268	\$ 635,406	\$ 578,435
<i>Provision for Depreciation</i>	316,161	235,471	165,171
<i>Interest</i>	107,233	92,142	41,140
<i>Provision for Taxes on Income</i>	(111,761)	154,816	196,000
<i>Non Recurring Items</i>	—	5,865	—
<i>Net Earnings (Loss)</i>	(65,365)	147,112	176,124
<i>% of Shareholders' Equity at Beginning of Year</i>	(3.9%)	10.6%	14.2%
<i>Per Common Share</i>	(49.8c.)	52.5c.	66.3c.

## BALANCE SHEET DATA

<i>Net Current Assets</i>	\$ 806,792	1,062,313	\$ 828,036
<i>Fixed Assets less Depreciation</i>	2,440,304	2,343,598	1,485,902
<i>Other Assets</i>	14,261	65,416	73,373
<i>Net Tangible Assets</i>	3,261,357	3,471,327	2,387,311
<i>Funded Debt</i>	905,000	960,000	595,000
<i>Other Deferred Financing</i>	763,516 †	830,000 †	408,000
<i>Shareholders' Equity</i>	1,592,841	1,681,327	1,384,311

## FINANCIAL RATIOS

<i>Current Assets to Current Liabilities</i>	1.48	1.82	1.84
<i>Net Tangible Assets to Funded Indebtedness</i>	3.60	3.62	4.01
<i>Shareholders' Equity to Funded Indebtedness</i>	1.76	1.75	2.33

† Includes deferred tax credit

\* Prior to expansion in 1965



# COMPARATIVE TEN YEAR RECORD

1967	1966	1965	1964	1963	1962	1961
\$ 422,940	\$ 243,744	\$ 4,042	\$ 258,745	\$ 280,080	\$ 213,220	\$ 136,814
171,208	170,560	132,967	75,248	57,166	55,888	38,292
43,415	45,317	31,266	6,374	16,790	15,465	10,890
105,000	—	(69,107)	60,308	82,000	47,090	35,273
—	—	—	—	—	—	—
103,317	27,867	(91,084)	116,815	124,124	94,777	52,359
9.1%	2.5%	(7.3%)	22.2%	30.0%	30.2%	19.7%
32.4c.	(3.9c.)	(61.7c.)	39.2c.	—	—	—
\$ 620,004	\$ 419,579	\$ 370,598	\$ 601,685	\$ 406,244	\$ 324,896	\$ 269,078
1,352,946	1,382,343	1,427,739	803,392	313,812	305,383	180,926
6,044	3,755	14,473	11,425	15,882	8,370	6,981
1,978,994	1,805,677	1,812,810	1,416,502	735,938	638,649	456,985
630,000	665,000	700,000	170,000	210,410	234,719	143,331
105,000 †	—	—	—	—	—	—
1,243,994	1,140,677	1,112,810	1,246,502	525,528	403,930	313,654
1.60	1.35	1.32	2.25	2.04	2.06	2.16
3.14	2.71	2.59	8.33 *	3.49	2.72	3.19
1.97	1.72	1.59	7.33 *	2.50	1.72	2.19





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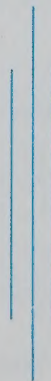


**BAY MILLS LIMITED**

MIDLAND

ONTARIO

I N T E R I M  
R E P O R T



Nine Months Ended April 30, 1970

# BAY MILLS LIMITED

and wholly owned subsidiary

(UNAUDITED)

Nine Months Ended  
April 30, 1970      April 30, 1969

## STATEMENT OF EARNINGS

	(\$000)	(\$000)
<b>EARNINGS</b> (before under-noted items) .....	\$ 251	\$ 433
Depreciation .....	222	148
Interest on funded debt .....	61	67
Taxes on income .....	—	83
Finance and moving expense .....	—	42
<b>NET EARNINGS (Loss)</b> .....	<u>\$ (32)</u>	<u>\$ 93</u>

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

### SOURCE OF FUNDS

Net earnings .....	\$ (32)	\$ 93
Depreciation .....	222	148
	<u>190</u>	<u>241</u>
Deferred taxes on income .....	—	105
Notes issued .....	57	250
First mortgage bonds .....	—	400
Area development grant .....	71	225
Sale of building .....	—	65
Common shares issued .....	—	4
Change in other assets .....	(4)	53
	<u>\$ 314</u>	<u>\$1343</u>

### APPLICATION OF FUNDS

Net additions to fixed assets .....	\$ 320	\$1077
Decrease in first mortgage bonds .....	55	35
Dividends on preferred stock .....	29	122
	<u>\$ 404</u>	<u>\$1234</u>

### NET CURRENT ASSETS

Net increase (decrease) .....	\$ (90)	\$ 109
July 31st .....	1062	828
April 30th .....	<u>\$ 972</u>	<u>\$ 937</u>